MEETING AGENDA

Funding Work Group Meeting #5

Agenda

MEETING DATE: Wednesday July 24, 2019

MEETING TIME: 1:00 p.m. – 3:45 p.m.

LOCATION: City Hall Council Chambers, 710 NW Wall St. Bend, Oregon 97703

Objectives

- Discuss context and phasing framework for the Funding Plan and Strategy.
- Confirm updated revenue assumptions
- Direction on funding policies

The outcomes of this meeting will be shared with the full Citywide Transportation Advisory Committee (CTAC) at their meeting on August 28, 2019

Agenda

1. **Welcome, approval of previous meeting minutes, and opportunity for public comment (15 minutes) (Joe Dills)**
   Please see attached minutes from FWG 4.
2. **Today's Goals and FWG Process Overview (5 minutes) (Susanna Julber)**
3. **Context Briefing and Discussion (45 min)**
   a. Review of prior IFA Recommendations (Lorelei Juntunen, ECONorthwest)
   b. Council Goal-Related Projects and CIP Process (Nick Arnis, Dana Wilson)
   c. Funding and Phasing Framework (Matt Kittelson)

   This informational item will provide important background and framing for the FWG's work. For each topic, there will be a brief presentation and discussion.
4. **Discuss and Confirm Revenue Assumptions (60 minutes)**
   There will be a 10-minute break during this item at approximately 2:30.
   a. Presentation (Lorelei)
   b. Discussion
   c. Action: Staff would like the FWG to confirm that the assumptions are a reasonable starting point for further analysis, noting which assumptions are relatively solid and which ones need more work.

   This is an informational/directional agenda item. The honing of the assumptions will help craft the "budget" for the TSP, which will evolve in an iterative fashion with CTAC's discussions about project priorities and phasing.

5. **Discussion/Direction on draft TSP Funding and Expansion Area Policies (30 minutes) (Susanna and Russ Grayson)**
    a. Presentation
    b. Discussion
    c. Action: Staff would like the FWG to identify any policies that require further development.

    This is an informational/directional agenda item. The presentation will summarize experience to date with funding agreements/negotiations for the West Expansion Area and the NE Rectangle Expansion Area, and upcoming work for the Southeast Area Plan.
6. **Public Comment (10 minutes)**
7. **Next Steps and Adjourn**

Accessible Meeting Information

This meeting/event location is accessible. Sign language interpreter service, assistive listening devices, materials in alternate format such as Braille, large print, electronic formats and audio cassette tape, or any other accommodations are available upon advance request. Please contact Jenny Umbarger at jeumbarger@bendoregon.gov or 541.323.8509. Providing at least 3 days notice prior to the event will help ensure availability.

Agenda Item No. 1:
Minutes from FWG #4,
October 31, 2018

Minutes

Funding Work Group Meeting #4

Bend's Transportation Plan

October 31, 2018

City Hall, Council Chambers
710 NW Wall Street, Bend, Oregon

CITY OF BEND

Funding Work Group Members

Karna Gustafson, *Co-Chair*
Steve Hultberg, *Co-Chair*
Mike Riley, *Co-Chair*
Ruth Williamson, *Co-Chair*
Katy Brooks, *Member*
Nicole Mardell, *Member*
Suzanne Johannsen, *Member*
Richard Ross, *Member*
Dale Van Valkenburg, *Member*

City Staff

David Abbas, *Transportation Services Director*
Tyler Deke, *MPO Manager*
Emily Eros, *Transportation Planner*
Russell Grayson, *Community Services Director*
Susanna Julber, *Senior Policy Analyst*
Eric King, *City Manager*
Ian Leitheiser, *Assistant City Attorney*
Elizabeth Oshel, *Associate City Attorney*
Brian Rankin, *Principal Planner*
Camilla Sparks, *Budget & Financial Planning Manager*
Karen Swirsky, *Senior Planner*
Mary Winters, *City Attorney*
Sharon Wojda, *Finance Director*

Consultants

Joe Dills, *Angelo Planning Group*
Lorelei Juntunen, *ECONorthwest*

1. Welcome, approval of previous meeting minutes, goals for today, disclosure of potential conflicts of interest, and opportunity for public comment

Mr. Dills called the meeting to order at 1:04pm.

Mr. Dills requested approval of the September 20, 2018 meeting minutes. Member Gustafson moved to approve. Member Williamson seconded the motion, which passed unanimously, (9-0). Members Hultberg, Riley, Williamson, Brooks, Johannsen, Ross, Mardell, Van Valkenburg and Gustafson voted yes.

Mr. Dills opened the floor to public comment.

Lou Capozzi spoke to encourage CTAC to consider parking fees as a funding source.

Mr. Dills opened the floor for declarations of conflict of interest. Member Gustafson disclosed her employment with Central Oregon Builders Association. Member Mardell disclosed her employment with Deschutes County. Member Van Valkenburg disclosed his employment with Brooks Resources. Member Hultberg disclosed his representation of clients who own properties in the region. Member Brooks disclosed her employment with the Bend Chamber of Commerce.

Mr. Dills reviewed the TSP Phase 1 work plan and process.

2. Discussion of IFA - Purpose and Overview of Analysis

Ms. Eros provided a high-level review of the meeting packet.

Ms. Juntenen reviewed high-level changes to analysis of existing and new funding tools and indicated changes did not affect findings from previous conversations or change the direction of funding recommendations.

Member Johanssen expressed concern over funding road maintenance. Mr. Abbas explained current Pavement Condition Index (PCI) score, on a scale of 0 (low) to 100 (high), is at 70 and the goal is 82. Member Riley expressed lack of confidence in budget analysis and the need to be clear that there are still unknowns. Mr. King explained how current gas tax revenue from HB 2017 is beginning to impact right of way maintenance, and that new policy dictates 75% of franchise fees are dedicated to street maintenance. Ms. Wojda noted that General Fund spending is at Council's discretion. Member Williamson indicated the importance of presentation to community.

Ms. Eros annotated the Initial Funding Assessment (IFA) document, on screen, with recommended language revisions resulting from open discussion by members, consultants and City staff. See attached pages extracted from the IFA.

3. Recommendation

Ms. Eros and Ms. Juntunen reviewed funding recommendations.

Ms. Eros continued annotation of the IFA document, on screen, with recommended language revisions resulting from open discussion by members, consultants and City staff. See attached pages extracted from the IFA.

<u>Mr. Dills called for a motion to approve the IFA with changes recorded on screen, directing staff to draft language, and a second motion to insert Transportation Utility Fee (TUF) language in Appendix C. Member Gustafson motioned to approve; Member Johannsen seconded. Motion was approved unanimously.</u>

Member Brooks recommended an interactive funding tool be developed for CTAC and the public to use. Ms. Eros noted an attempt will be made to modify the tool currently being used with regard to scenarios.

4. Public Comment

No further public comment.

5. Next Steps and Adjourn

Meeting adjourned at 3:00pm.

Respectfully submitted,

Jenny Umbarger
Growth Management Department

Accessible Meeting/Alternate Format Notification

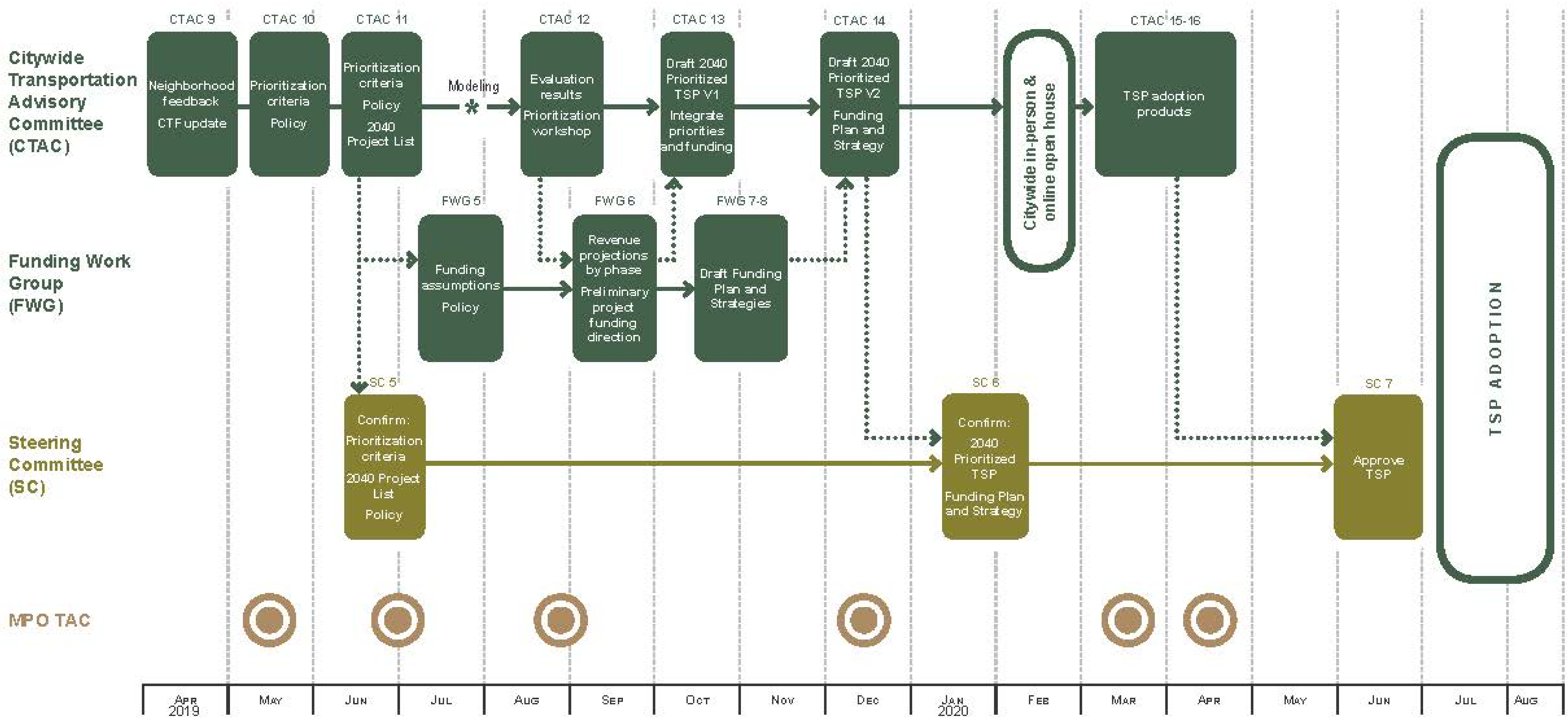
This meeting/event location is accessible. Sign and other language interpreter service, assistive listening devices, materials in alternate format such as Braille, large print, electronic formats, language translations or any other accommodations are available upon advance request at no cost. Please contact Jenny Umbarger no later than 24 hours in advance of the meeting at jeumbarger@bendoregon.gov, 541-323-8509, or fax 541-385-6676. Providing at least 3 days' notice prior to the event will help ensure availability.

Agenda Item No. 2:
BTP Phases 3-4 Work Plan and Process Chart

BEND TRANSPORTATION PLAN

Phases 3-4 Work Plan and Process

Bend's Transportation Plan



Updated: 7/16/2019

Agenda Item No. 3:
Project & Program Prioritization
Process Overview Memorandum

Bend's Transportation Plan

Project & Program Prioritization Process Overview

July 17, 2019

Introduction

The evaluation of the 2040 Project List will integrate technical and funding analyses by the Bend Transportation System Plan (TSP) project team, Citywide Transportation Advisory Committee (CTAC) and Funding Work Group (FWG). Over the course of this summer, each of the transportation projects is being evaluated concurrently using the Project & Program Prioritization Criteria as well as the TSP's funding principles to help refine and prioritize a list of near, mid and long-term projects and programs to be included in the 2040 Prioritized Project List.

This memorandum describes the two concurrent evaluation processes, how they will be integrated, and how the results will be combined to establish implementation "phasing buckets." An overview of the project and program prioritization process is provided in Figure 1.

Project & Program Prioritization Evaluation

Per Phases 3 – 4 of the TSP work plan, the technical analyses of the 2040 Project List will be presented at the CTAC 12 meeting on August 28, 2019. This analysis will document an evaluation of each of the projects and programs using the Project & Program Prioritization Criteria, as approved by the Steering Committee in June 2019. Additionally, at the August CTAC meeting, CTAC will be provided with the FWG's draft revenue assumptions and projections as contextual funding information.

The Project & Program Prioritization Criteria are multifaceted and rely on input from the Bend-Redmond Travel Demand Model, other technical tools, and qualitative evaluations. The criteria also consider the synergies of the potential TSP projects with other ongoing infrastructure improvement projects, such as Council-adopted priority projects and the City's Capital Improvement Program (CIP) list. The technical work will be informed by ongoing public involvement processes via CTAC, community feedback provided through the City's Transportation Outreach Strategy regarding key infrastructure investments and priorities, and through public comment at CTAC meetings.

Funding Analysis

Concurrent with the technical analyses, the FWG will develop an overall Funding Plan and Strategy for the TSP. This work builds upon the Initial Funding Assessment (IFA) approved by the Steering Committee in January 2019 and will identify near-term funding sources and amounts for high-priority TSP projects and programs. The analysis will also identify strategies to fund the implementation of mid- and long-term priorities. The FWG will prepare its analysis and recommendations in a series of iterative steps – meeting before and between CTAC meetings 12, 13 and 14 so there is cross communication at each step.

The Role of the TSP in Prioritization and Funding

The TSP is a long-term planning document. It addresses a comprehensive set of Bend's transportation system needs, integrated with land use and other community needs and aspirations. The priorities and funding plans in the current TSP update will create clarity for Bend regarding what projects and programs are most important, when they should be constructed/implemented, and how they should be funded. However, it is important to note that those are planning-level recommendations and subject to refinement and change over time. Typical factors influencing refinements include overall population and employment growth rates (high vs. low), growth in specific locations of the UGB, community priorities, City Council priorities expressed through goals, budgets, and the CIP, partner agency projects, and outside grants or funding opportunities. The specific authorization and timing of individual projects is made through Bend's CIP and similar Council-directed decision making – using the TSP as guidance.

Defining the Timing of Priorities - "Phasing Buckets"

The technical analyses using the prioritization criteria and the funding analyses will help the City categorize each project into one of the phasing categories (herein referred to as "phasing buckets") described below. ***The foundation for the projects in the near-term bucket is the eleven projects added to the City's Transportation 5-Year CIP in 2019. Those projects total approximately $32M in transportation improvements; they are fiscally committed and planned for the period 2020-2024 using increases in Franchise Fees and Transportation System Development Charges. For context, the City's entire 5-year transportation CIP contains 26 projects and is budgeted at $73M.***

The TSP's phasing buckets are defined below. Each bucket will contain projects and programs that can be financed with existing funding sources and projects and programs that will need additional funding sources that are not yet secured by the City. Part of the FWG charge is to identify these additional funding sources the City needs to fund all the planned projects and programs.

(1) ***Near-term Priorities (Implementation Years 1 – 10)*****:** Bucket 1 will address near term priorities, spanning 10 years to implement the current 5-year Capital Improvement Plan and additional projects and programs that rank as high priorities and are appropriate for the 6-10 year timeframe.[1] Additional projects and programs may also be added in the 1-5 year timeframe to complement, operate, and/or maintain those projects and programs already committed to by the City – within the delivery capacity and available revenue in that timeframe.

(2) ***Mid-term Priorities (Implementation Years 11 – 15)*****:** Bucket 2 will include projects and programs identified by CTAC and the project team that support TSP goals and continued economic and community health or are anticipated to be triggered by growth in the mid-term horizon.

(3) ***Long-term Priorities (Implementation Years 16-20)*****:** Bucket 3 will include projects and programs identified by CTAC and the project team that are of lower priority for the community or are not likely triggered by growth or system needs until the long-term horizon. Even with that long-term frame of reference, these project and programs do help in meeting long-term transportation system needs and implementation of the Bend Comprehensive Plan.

[1] The City's fiscal commitment in the TSP is for project planning. All actual funding authorizations are subject to subsequent Council action.

(4) ***Development Driven Projects*** – The key distinction for Bucket 4 projects and programs is that their timing will be driven primarily by the timing of development, as opposed to City-initiated improvements of the transportation system. They may address important system needs, such as collector and neighborhood streets needed to connect pedestrians, cyclists and motorists in growth areas with the regional arterial and collector roadway system. They may also include "public" funding sources, such as SDC funding, determined as part of development review, negotiated developer agreements, or an area-planning process. Specific timing for implementation is dependent on market conditions related to the pace of development in specific areas. These projects and programs contribute to the overall multimodal system and are an important component of the TSP.

Each of the identified 2040 Projects and Programs will be categorized into one of the phasing buckets based on the following set of questions:

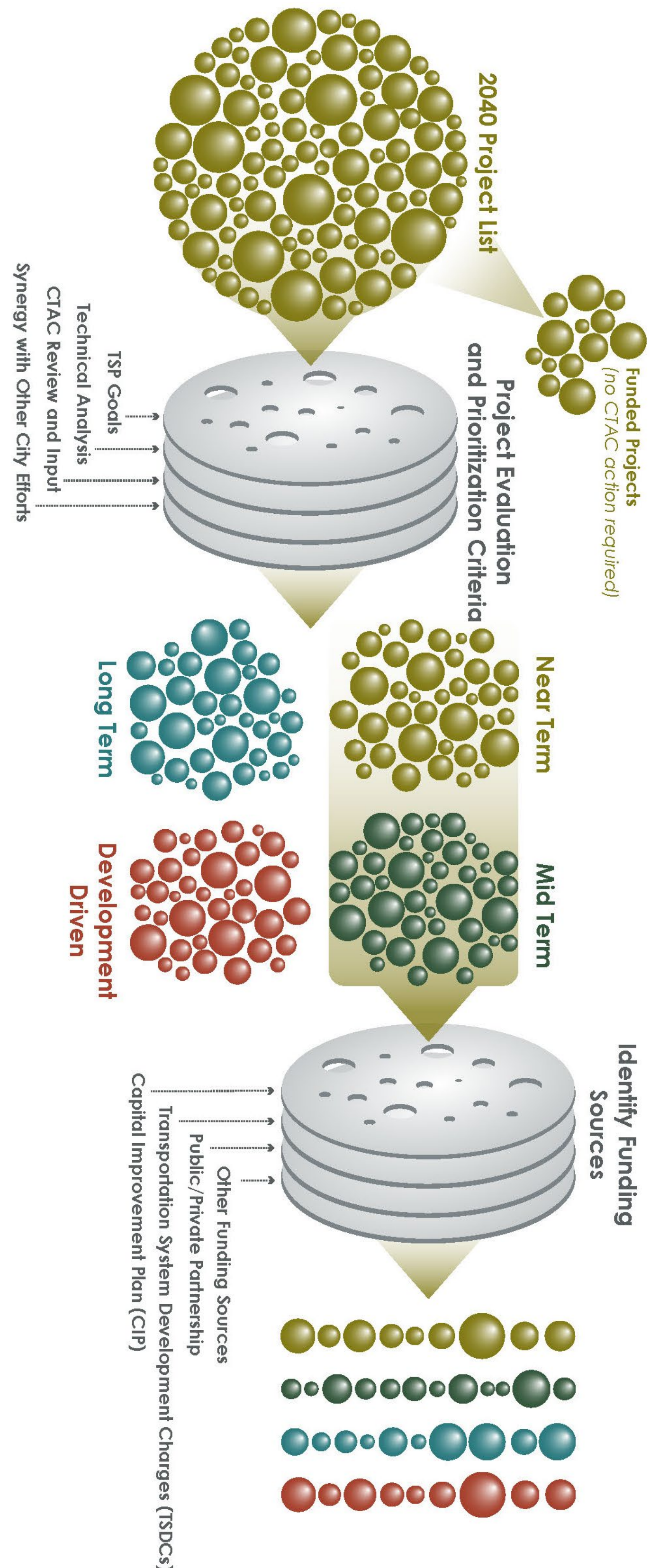
- Which projects most meaningfully address the project and program prioritization criteria, including existing and future congestion and connectivity constraints?
- What is the likely funding available for each of the "buckets" and how can the City "right-size" the project and program list to best match the funding sources?
- What projects and programs build upon and/or rely on synergies provided by other capital improvements projects within each bucket? In particular, which projects and programs work together to enhance key walking and biking routes in the City?

As noted above, the categorization of each project and program into the phasing bucket categories will require an iterative process between the project and program prioritization criteria evaluation process and the FWG process to ensure each bucket is both effective at addressing TSP goals and fits within the funding strategy. This iterative effort assumes that the near-term priorities comprise the 'fiscally committed' list and will be accompanied by a funding plan (identifying funding sources, amounts, timing) developed by the FWG for inclusion in the TSP. The mid-term and long-term project lists will have more general funding strategies, reflecting the need to be flexible and adaptable over the long term. The TSP is a living document that is updated every 5-7 years. In concept, the mid- and long-term projects move up in priority over time.

Next Steps

The FWG will hear an overview of this memorandum at FWG #5 and be able to provide thoughts and feedback on the process outlined. Based on this feedback, the project team will continue to refine this process and the corresponding analyses as we work towards CTAC 12 in August.

Figure 1 – Prioritization Process Chart



Agenda Item No. 4:
Revenue Assumptions
Memorandum

Funding Work Group #5

PREPARED FOR: Funding Work Group

PREPARED BY: Lorelei Juntunen and Sadie DiNatale, ECONorthwest

DATE: July 17, 2019

Introduction

The City of Bend is updating its transportation plan (Bend Transportation Plan, or BTP) to identify and prioritize needed transportation system investments over the next 20 years. In 2018, the City's Funding Work Group (FWG), a subcommittee of the Citywide Transportation Advisory Committee (CTAC), met four times to identify, evaluate, and analyze potential new funding tools to meet Bend's transportation funding needs. The outcome of those meetings was the development of an Initial Funding Assessment (IFA) which recommended a set of tools for further exploration.

The purpose of the IFA was to inform Bend's ongoing discussions about project prioritization and the BTP Funding Plan development. The IFA presented funding capacity projections of the recommended funding tools. However, those assumptions were preliminary and, in some cases, hypothetical.

This memorandum begins where the IFA left off, to inform the next series of conversations and decisions related to funding the prioritized projects in the TSP. In the coming months, staff and the consultant team will refine revenue projection assumptions for the funding tools recommended in the IFA. Staff and the consultant team will need additional input from the FWG to support the analysis. Beyond that, the FWG will provide recommendations to CTAC that link specific funding tools to near-term priority projects, which will be documented in the funding chapter of the BTP.

This memorandum provides a brief recap of the recommendations from the IFA. It summarizes the key assumptions made in the IFA to project revenue potential from each potential tool. The FWG will be asked to help refine these assumptions at the June 24, 2019 meeting. This memorandum also sets the stage for future discussions about implementation and sequencing of the recommended funding tools and linking funding tools with projects.

Recap: Initial Funding Assessment Recommendations

The FWG recommended nine funding tools in the IFA, categorized as (1) core tools, (2) core tools that require additional exploration, and (3) supplemental tools. If implemented, these tools would be in addition to the City of Bend's existing funding sources[1] for transportation expenditures. For context, following is an excerpt from the IFA that describes the recommended tools and most relevant details.

Exhibit 1. Bend Transportation Plan Initial Funding Assessment (IFA) Excerpt

Source: City of Bend. (2018). Bend Transportation and Growth Management, *Initial Funding Assessment: Bend Transportation Plan,* pages 12-15. https://www.bendoregon.gov/Home/ShowDocument?id=40441

Recommended Tools

The FWG recommends that the Funding Plan rely on a core set of tools that generate sufficient revenue to flexibly fund a wide range of projects, programs, and operations and maintenance (O&M) costs. In addition, the plan should include a set of supplemental tools that may have more limited revenue capacity but play an important role in funding specific types of projects or projects in specific geographies.

Core Tools

The FWG recommends that the following tools be included as core components of the eventual BTP Funding Plan, with the understanding that future discussions about rates and timing of implementation are necessary.

- **General Obligation (GO) Bond.** The FWG broadly agreed that a GO bond would be a necessary component of any workable Funding Plan. If approved by voters, a GO bond can provide a large amount of upfront funding for a wide range of priority capital projects. More research is needed to understand the bond amount that voters might support; some members of the FWG suggested that a bond of approximately $100 million is a reasonable starting point. Several members felt that higher bond amounts might be supportable with an attractive mix of projects and well-executed public outreach. The FWG noted that a GO bond must be paired with other core funding tools that can be used for operating and maintenance costs. The FWG expressed serious concern about building new projects without knowing upfront that they will have adequate revenue to cover on-going operations/maintenance over the life of the projects.
- **Transportation Utility Fee (TUF).** The FWG broadly supports the inclusion of a TUF in the Funding Plan. These fees are used to cover transportation costs in many

[1] City of Bend's existing transportation revenue sources include: the Surface Transportation Block Grant, State Highway Fund, transportation-system development charges (dollars generated from Bend's existing rate of $7,400),* water and sewer franchise fees, garbage franchise fees, general fund dollars, and "other" sources. Note: "other" sources are not defined, but the City of Bend assumes that this catch-all source will continue to generate approximately $100,000 per year in existing revenue.

No action is needed on the topic of existing revenue sources at this time. The purpose of presenting this information is to serve as a reminder that these sources exist and will be considered in the funding plan.

*The City of Bend is in the process of updating their transportation-system development charge (TSDC) rate per peak hour trip. The rate for Fiscal Year 2018-19 was **$6,800**—this rate was used to calculate existing TSDC revenues in the IFA. As of July 1, 2019, the current TSDC rate is **$7,400.** On January 1, 2020 the TSDC rate will increase to **$8,000**. Moving forward, the rate of $8,000 will be used to estimate *existing* TSDC revenues, resulting in a higher TSDC estimate for existing revenue than was presented in the IFA.

New TSDC revenue (presented in Table 1) will rely on the delta between revenue estimated from the current rate as of January 2020 ($8,000) and revenue estimated from the legal maximum rate ($10,904).

communities in Oregon, can be used flexibly for O&M or capital costs, and can be structured so that even property-tax exempt system users contribute to funding key transportation infrastructure. More work is needed to determine the recommended rate for a TUF. Some FWG members suggested that the initial estimates of revenue capacity were too low, because higher rates and/or a different mix of payers (households and employees) would be practical.

- **Seasonal Fuel Tax.** The FWG agreed that levying a seasonal fuel tax is a reasonable tool that should be included in the Funding Plan. Its revenue capacity is relatively high, and a fuel tax can be used broadly for O&M and capital expenses for projects around the city. While it does require a public vote to enact, the FWG felt that including a fuel tax in the package would ease some concerns about voting for a GO bond, because a seasonal fuel tax would be aimed at ensuring that visitors to Bend (and commuters who work in Bend but live outside the City) would contribute to funding improvements to the transportation network along with current residents and property owners. More work is needed to determine the appropriate rate. In reviewing the initial analysis, some FWG members felt that higher rates might be supported, especially at times of greatest congestion (e.g. summer season) or when travel poses the greatest wear on the system (e.g. winter season). They specifically felt that rates of $.03 per gallon in off-seasons and shoulder seasons, and $.05 per gallon in peak season should be considered.

Other Core Funding Tools that Require Additional Exploration

The FWG agreed that two other tools (an increase in TSDCs and a food and beverage sales tax) should be further explored in the coming months as core tools. Some members of the FWG had concerns or questions that have not yet been fully resolved and will require further consideration. The concerns are described below.

- **Increased Transportation System Development Charges (TSDCs).** Unlike other tools described in the recommendations, the City already has a TSDC, and it is included in the estimate of existing sources. Regarding increasing the existing TSDC, several FWG members supported increases in the TSDC, over time, as a straightforward, City-controlled tool with substantial revenue capacity that is intended explicitly to fund growth. At the same time, others noted that TSDC revenues are volatile because they are dependent on new development (and therefore are subject to development cycles); that TSDCs were recently increased by 34%; and that further increases may affect development feasibility and housing costs. They also pointed out that increases in City-wide TSDC rates might reduce the ability of the City to consider supplemental TSDCs (i.e. higher TSDC rates) as a funding tool in the Urban Growth Boundary (UGB) expansion areas where there may be a clearer nexus to new development and greater support from developers. Further information and discussion are needed regarding supplemental TSDCs as a potential funding tool for expansion and/or opportunity areas.
- **Food and Beverage Sales Tax.** FWG members supported, in concept, the inclusion of a prepared food and beverage tax that generates revenue through the tourism economy. However, most members expressed concerns about describing and justifying the tool to voters who must approve it. Some felt that it would be challenging to communicate the logic or linkage between levying a sales tax on food/beverages and using that revenue for transportation projects. Some felt that a vehicle fuels tax was a more straightforward path toward getting voter approval for a tool that increases revenue generated by Bend’s many visitors.

Supplemental Tools

The FWG recommends the following tools to supplement the core tools described above. Each could play a niche supporting role in a complete funding package, and the City should continue to evaluate them as more is known about specific projects and costs.

- **Urban Renewal.** The FWG broadly agreed that urban renewal should be used to fund appropriate transportation projects in a potential new Urban Renewal Area (URA) in Bend's core area. In that geography, it will be among the most powerful tools available for funding infrastructure. However, because urban renewal dollars can only be spent inside a URA boundary, and only on projects that are identified in an adopted urban renewal plan, this tool is limited in application and better suited to supplement core tools in the Funding Plan.
- **Local Improvement District (LID).** The FWG agreed that LIDs should be part of the Funding Plan and recognized that they are best suited to funding infrastructure needs in UGB expansion areas, opportunity areas, and for neighborhood-focused walkability improvements. Because they require property owners to agree to them (and typically initiate them), broad geographic application of a LID is not likely to be successful. LIDs also carry an administrative burden and may require additional staff to support implementation.
- **County Vehicle Registration Fee.** Use of this tool is contingent on Deschutes County's willingness to pursue and impose a vehicle registration fee that will ultimately need to be approved by voters by a county-wide vote, which adds substantial risk to the certainty of this tool. However, FWG members felt there was real merit to exploring the County's willingness to use this fee, particularly as a regional tool to support projects on Highway 97 that have regional significance because they enhance services and/or fix problems for all residents in Deschutes County.
- **Local Option Levy.** The group identified a local option levy as a valuable tool to catch up on deferred street maintenance needs and viewed it as a valuable tool for one-time use (rather than for new capital or for ongoing O&M). Because it must be regularly renewed with a public vote, the FWG expressed concerns about using this tool as an ongoing revenue source throughout the 20-year implementation period. Clear messaging would be important for this tool to ensure that the public understands what it includes and how it is different from a GO bond.

While there are still many unknowns, collectively, the FWG recommendations point toward this eventual Funding Plan structure:

- A GO bond, perhaps paired with a phased City-wide TSDC increase or a TUF, would provide foundational revenue for City-wide capital costs. These sources are especially suited to large and highly visible projects that enhance system-wide service. These tools could then be paired with some combination of a TUF, seasonal fuel tax, and perhaps a prepared food and beverage tax to provide additional capital revenue and provide operating and maintenance funding.
- For specific geographies that need targeted investments (such as UGB expansion areas, opportunity areas, or parts of the City that need sidewalk investments), urban renewal, LIDs, and supplemental TSDCs are an option.
- A county vehicle registration fee could serve regional needs and a local option levy could serve targeted O&M needs, especially for catching up on deferred maintenance projects.

Major Revenue Assumptions for Review and Refinement

The first step in the development of the Bend TSP Funding Plan is to confirm funding capacity of the recommended tools. The funding tools recommended in the IFA relied on 2018 preliminary assumptions to determine approximate funding potential.[2] Many of the revenue assumptions remain realistic (based on rates and methodologies imposed in other Oregon communities). Others require further vetting.[3]

Input needed from the FWG:

To refine the revenue projections for the Funding Plan, ECONorthwest is seeking confirmation or modification of the assumptions previously used and outlined in Table 1 and Table 2. The following specific input is requested:

- Do the prior rates and key assumptions, outlined in Table 1 and Table 2 continue to work for future projections or do they require additional discussion / modification?

While we will discuss the entire table at FWG meeting 5, the most critical questions and issues for discussion are highlighted in red text and relate to the Core Tools.

[2] The original estimates are located on page 9 of the Initial Funding Assessment, linked below. Note that estimates in Table 1 and Table 2 are rounded. https://www.bendoregon.gov/Home/ShowDocument?id=40441

[3] While the rates and assumptions included in the BTP will be the best assumptions available, the City of Bend will continue to modify revenue rates and amounts as they implement the BTP through the City's ongoing Capital Improvement Plan (CIP) process to flexibly respond to changing cost estimates and revenue opportunities.

Table 1. Preliminary Revenue Projections and Assumptions of Potential New Funding Tools – for ONLY Capital Funding Needs

Source: Calculations by ECONorthwest. Note: Revenue projections are rounded to the nearest $1,000.

Funding Tools for Capital Costs	Est. Revenue potential 2020-2040, 2018 dollars *(using preliminary rates and assumptions)*	Preliminary Rates and Key Assumptions	Notes
Core Tools			
General Obligation Bond	$500,000,000	Maximum allowed under statutory cap.	This amount is very high and may not be politically feasible. The FWG previously recommended $100m as a feasible starting point. **A public vote is required (ballot measure).**
Transportation System Development Charge (Rate Increase)	$91,979,000* **Updated from the IFA, which listed revenue potential at $129,986,644. Council recently adopted increases in the TSDC which reduced the potential possible under the current maximum rate allowed.*	Cost per peak-hour trip: $10,904 (provided by City of Bend staff)	Revenue can only be used for capital improvement projects on the TSDC project list. A public vote is not required. Additional discussion needed (noted by FWG during IFA discussions): - Will rate reduce project development feasibility and housing costs? - Will rate reduce ability of the City to consider supplemental TSDCs as a funding tool in UGB expansion areas? - Should supplemental TSDCs be considered a funding tool for expansion and/or opportunity areas? Given recent increases and previous discussion from the FWG, what assumptions should be carried forward regarding the potential to further increase TSDCs?
Supplemental Tools			
Urban Renewal	$28,920,000, to be updated in October 2019 through ongoing Core Area Planning work.	Based on study areas evaluated in 2017 pre-feasibility study. Assumes one-third of Core Area Urban Renewal Agency (URA) revenue will be used for TSP projects.	Estimates will be revised in the coming months through the Core Area Plan and Urban Renewal Advisory Board (URAB). Council / BURA Board (with input from URAB) will determine the total urban renewal funding allocation to transportation projects in the Core Area. A public vote is not required to form a new URA.
Local Improvement Districts	$14,000,000	Assumes 2 LIDs created per year, each funding $350,000 in project costs. In the coming months, when the project list is ready, this can be tied to appropriate projects and pegged to actual cost estimates.	Estimate is speculative and derives from the rounded median of four successful sewer LIDs in Bend. LID creation is dependent on suitable projects and interest from LID property owners. **Affected property owners must vote to implement.**
Total	**$634,899,000**		

Table 2. Preliminary Revenue Projections and Assumptions of Potential New Funding Tools – for Operating/Maintenance (O&M) or Capital Funding Needs

Source: Calculations by ECONorthwest. Note: Rates are rounded to the nearest $1,000.

Funding Tools for Capital or O&M Costs	Est. Annual Revenue, 2018 dollars *(using preliminary rates and assumptions)*	Preliminary Rates and Key Assumptions *(including trend in real dollars over 2020-2040 forecast period)*	Notes
Core Tools			
Prepared Food and Beverage Sales Tax	$10,377,000	5% tax on prepared food and beverages Trend: Increasing. Because tax is a percent, it captures inflation. Net sales should increase as population and tourism grow.	City of Ashland and City of Yachats impose a 5% tax on prepared food and nonalcoholic beverages. **A public vote is required (ballot measure).** Some FWG members noted questions about the viability of this tool with voters and the nexus between this tool and transportation projects.
Transportation Utility Fee	$5,747,000	$10 per month per household and $2 per month per employee. Trend: Increasing, assuming that rate is indexed to inflation.	A public vote is not required. In Oregon, cities can enact a transportation utility fee by ordinance.
Seasonal Fuels Tax	$1,833,000* **This projection uses updated fuel data for 2018, received from ODOT. As such, the estimate in the IFA was slightly higher at $1,871,000.*	Off season: 1 cent per gallon Shoulder season: 3 cents per gallon Peak season: 5 cents per gallon Trend: Stable, per ODOT forecasts. Population is growing, but so is fuel efficiency.	In Oregon, the average fuel tax is three cents per gallon, with a range of one to five cents per gallon. **A public vote is required (ballot measure).**
Supplemental Tools			
Vehicle Registration Fee	$1,590,000	$43 county fee charged every 2 years Assumes 40% of revenue would go to cities, and that city revenue split is determined by number of vehicles. Trend: Decreasing. Max rate is set at state level and not automatically indexed to inflation.	$43 is the maximum rate allowed by state. **A public vote is required (ballot measure). The fee would need to be enacted and approved by voters at the county level.** FWG members described this tool as useful for funding projects of regional significance.
Local Option Levy	$4,299,000	$0.40 per 1,000 of AV Trend: Increasing. New construction will increase Bend's tax base.	This rate seemed reasonable (ECONorthwest also modeled $0.10, $0.20, and $0.30 per 1,000 of AV). **A public vote is required (ballot measure).** FWG members described this as a tool that could be useful to catch up on deferred maintenance.
Total (Annual Est.)	**$23,846,000**		

Initial Thoughts: Phasing in Funding

Upcoming discussions with CTAC and the FWG will link funding tools to specific projects/programs or groups of projects/programs. Those projects and programs will be implemented in phases. Funding tools should be implemented in corresponding phases and must be considered iteratively and concurrently with project priorities. Revenue projections will inform project prioritization conversations; at the same time, project prioritization will influence phasing decisions for funding tools. While current information about projects and costs remains incomplete, we can begin to imagine how the project prioritization process will intersect with funding decisions. This section presents initial thinking about how to link funding tools to prioritized projects, for discussion at FWG meeting #5 on July 24, 2019.

Near-term (1 to 10 years)

City Council has adopted their five-year Capital Improvements Program (CIP), which prioritizes 26 projects for near-term implementation (described in Table 3). Over the next five years, these capital projects will be a priority for the City. Eleven of these 26 projects were specifically prioritized as part of City Council's 2019-2021 goal setting process and are now formal projects in the CIP. To fund these projects, Council has increased TSDC rates and franchise fees. Many of these projects are likely to require a GO Bond, or other core tool.

Table 3. Five-Year Transportation Capital Improvement Program (CIP) Schedule

Note: A description of the cost estimate classifications are located in Table 4.

	Cost Estimate Class	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	Total
1TNPS Neff & Purcell Intersection Design	5	4,150,000	-	-	-	-	**4,150,000**
1T14R 14th Street Reconstruction Plant Establishment	1	50,000	-	-	-	-	**50,000**
1TR3N Reed Mkt: 3rd to Newberry Plant Establishment	1	100,000	-	-	-	-	**100,000**
1TMC3 Murphy & Brosterhous Roundabout	3	2,518,500	-	-	-	-	**2,518,500**
1TMC4 15th & Murphy Roundabout	3	2,972,500	-	-	-	-	**2,972,500**
1TMC7 15th Street Sidewalk	3	84,300	-	-	-	-	**84,300**
1TEC3 Empire Avenue Extension	2	8,647,200	-	-	-	-	**8,647,200**
1TODT Hwy 20/Greenwood Sidewalk Impr. Contribution	5	1,500,000	-	-	-	-	**1,500,000**
1TEC4 Empire & 27 Intersection	2	1,732,000	1,269,800	-	-	-	**3,001,800**
1TEC5 Purcell Butler Market	2	1,220,900	985,600	-	-	-	**2,206,500**

	Cost Estimate Class	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	Total
1TMC2 Murphy Brosterhous to 15th	3	1,884,200	1,205,200	-	-	-	**3,089,400**
1TMC5 Murphy & Country Club Design	3	548,800	59,200	-	-	-	**608,000**
1TMCI Murphy Railway Overcrossing	3	2,914,400	1,955,300	-	-	-	**4,869,700**
1TBKE Bicycle Greenways	5	320,000	300,000	-	-	-	**620,000**
1TBRB Bond & Reed Market RAB	5	250,000	500,000	-	-	-	**750,000**
1TABB Archie Briggs Bridge Replacement	5	72,000	-	-	-	-	**72,000**
1TCSI Citywide Safety Improvements	5	500,000	500,000	-	-	-	**1,000,000**
1TMC6 Murphy Corridor Improv. Parrell to Brosterhous	5	3,059,900	7,296,800	-	-	-	**10,356,700**
1TEC6 Purcell Blvd Modernization	5	63,700	1,059,400	481,000	-	-	**1,604,100**
1RNPR Newport Pipe Replacement	5	1,077,000	1,909,000	1,036,000	-	-	**4,022,000**
1TCSR Columbia & Simpson RAB	5	-	1,000,000	-	-	-	**1,000,000**
1T3IN 3rd & Reed Market Intersection	5	-	500,000	2,500,000	2,000,000	-	**5,000,000**
1T9WS 9th & Wilson Traffic Signal Improvement	5	-	-	1,000,000	2,000,000	2,000,000	**5,000,000**
1TCHI Brosterhaus & Chase Intersection	5	-	-	1,000,000	2,000,000	2,000,000	**5,000,000**
1TCON 27th & Conners Intersection	5	-	-	-	500,000	2,000,000	**2,500,000**
1TBMW Butler Market & Wells Acres Improvement	5	-	-	-	-	3,000,000	**3,000,000**
TOTAL		**33,665,400**	**18,540,300**	**6,017,000**	**6,500,000**	**9,000,000**	**73,722,700**

Table 4. City of Bend's Cost Estimate Classifications System

Note: This classifications system is based on standards developed by the AACE International Recommended Practice No. 18R-97

Estimate Class	Purpose	Project Definition Level Expressed as % of complete definition	Cost Estimate Range Typical variation in high & low range
Class 5	Concept or Feasibility	0% to 2%	+ 100% / -50%
Class 4	Preliminary Engineering	1% to 15%	+ 50% / -30%
Class 3	Semi-Detailed (30 - 60% Design)	10% to 40%	+ 30% / -20%
Class 2	Detailed (60 - 100% Design)	30% to 75%	+ 20% / -15%
Class 1	Final (100% Design/Bid opening)	65% to 100%	+ 10% / -10%
NA	Not applicable		

To support successful implementation of these projects, Bend will need funding for associated programs and operating and maintenance costs and for any associated bicycle/pedestrian connectivity projects. At this point, we do not know what these projects/programs are, or how much they might cost. These variables will drive choices about funding tool implementation and will be revisited in coming meetings. Depending on the magnitude of the costs and the nature of the projects, the City could advance an appropriate combination of short-listed tools.

The core tool with the greatest capacity and likelihood of near-term success may be a **transportation utility fee**, because it does not require a public vote and had broad support in previous conversations. Other options could include a **prepared food and beverage sales tax** or a **seasonal fuels tax**. If project costs are high, more than one of these tools may be needed. Some of the associated projects may be appropriate for funding from supplemental tools, such as urban renewal or local improvement district funding.

Additionally, the IFA recommended consideration of a **local option levy** to catch up on deferred maintenance. The FWG also discussed a **county vehicle registration fee** to cover regional project costs. The City could advance either or both of these tools in the near-term (or at any time).

Mid-term (10 to 15 years) and Long-term (15-20 years)

Mid-term and long-term funding tools will be largely based on the projects that are prioritized in these phases. Funding could require an additional **GO bond** or additional tools not implemented in previous phases.

Development Driven

The "development driven" funding tools may include public funding sources, such as SDCs, or developer contributions. Projects funded in this bucket will be timed with available funds tools.

Agenda Item No. 5:
Draft BTP Funding Policies Memorandum

Draft BTP Funding Policies

PREPARED FOR: Funding Work Group

PREPARED BY: Susanna Julber, City of Bend

DATE: July 16, 2019

During the July 24 Funding Work Group (FWG) meeting, we'll be reviewing draft funding policies. Draft policies 1-7 were developed based on the principles in the IFA, but need review and input from the FWG. Draft policy 8, for Expansion Areas, was developed in consultation with city staff, and needs review by the FWG. If there is discussion of specific policies that requires more than the 30 minutes allotted to this agenda item, we can discuss these policies at our July 26 policy workshop.

Draft Funding Policies

1. The City's transportation funding plan will use a variety of tools to achieve balance and resilience, intended to generate revenues that are stable and flexible over the planning period and through economic market cycles, and that provide sufficient funding for the full range of project types and programs.

2. The City's transportation funding plan will ensure that all users of the transportation system, including but not limited to visitors, commuters, residents, new development, institutions, and businesses (including property tax exempt organizations and entities) pay a fair and equitable share for transportation system development and maintenance.

3. The City's transportation funding plan will generate sufficient capital and operations/maintenance revenue to cover the full life-cycle costs (from initial construction to on-going maintenance) of priority projects (including depreciation), programs, and staffing required to successfully manage and accomplish projects with an explicit focus on near-term and priority projects.

4. The City will implement a transportation funding plan that is broadly supported by the community.

***Actions**:*

- *Discern community priorities and build community support for new funding tools, especially those that require a public vote, through outreach, polling, education, and other efforts to gather and share information.*

- *Where possible and appropriate, identify alternate tools (a "Plan B") for those funding sources that have a lesser degree of predictability or stability, such as mechanisms subject to voter approval, subject to a sunset or limited duration, or* *are vulnerable to variability due to the nature of larger economic cycles or other factors*

5. The City's transportation funding plan will recognize that technologies will change in ways that affect costs and also change the City's ability to monitor, use, and collect revenues. The transportation funding plan should consider funding for innovation and adaptation/inclusion of new technologies that may become available over time.

6. The City will regularly evaluate existing funding sources and explore the use of new funding opportunities to increase resources for maintenance operations and capital improvements.

7. The selection of transportation improvements to be funded within the City's yearly Capital Improvement Program plan will be based on the prioritized list of projects included in this Transportation Plan, subject to public review and comment through a City Council public hearing process.

8. Funding for transportation infrastructure in Expansion Areas, as identified in the 2016 UGB expansion, will be determined upon area plan and or master plan approval, and must be established prior to or concurrently with annexation. Transportation and infrastructure funding agreements will be memorialized for each expansion area property or properties as part of master plan or Area Plan approval and/or annexation. City/private developer cost sharing may be based on the following:

   a. The portion of the transportation infrastructure that serves an area greater than the annexation area itself;
   b. The investment in transportation infrastructure helps solve existing transportation safety, capacity, or other apparent functional issue;
   c. There is an opportunity for local, state and/or federal grants to leverage the private investments and provide partnerships;
   d. Other factors as determined by the City Manager.